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September  
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*The*  
ONTARIO  
ARTS  
ENDOWMENT  
FUND  
PROGRAM

a guide for arts organizations



The Arts Endowment Fund is a program of the Government of Ontario  
through the Ministry of Citizenship, Culture and Recreation  
administered by the Ontario Arts Council Foundation







September 1998

Dear Partners in the Arts,

On May 5, 1998, as part of the Ontario Budget, the Government announced a new \$25 million Arts Endowment Fund to match and invest money for participating arts organizations that contribute to Ontario's vibrant culture and diverse economy.

By building on the successes of Ontario's not-for profit, professional arts organizations, the Arts Endowment Fund will create a lasting source of revenue for participating arts groups while it strengthens this important sector in our communities.

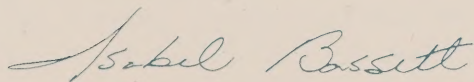
This guide has been developed to help you to put the Arts Endowment Fund to work for your organization. We have asked the Ontario Arts Council Foundation (OACF) to administer the Fund on behalf of the Government of Ontario. We chose the OACF because it is a public charitable foundation, and it has substantial experience in managing endowment monies of this magnitude.

Large and small arts groups in every part of the province are eligible to participate in the fund. The program has been designed to ensure that not-for-profit, professional arts groups have an opportunity to benefit from the Government's \$25 million investment.

Ontario's arts organizations are proving that ingenuity, talent, creativity and leadership are the cornerstones of a healthy arts sector. The government is supporting the arts through direct investment and by fostering an environment where arts organizations can thrive. But it's your achievements — both artistic and economic — that are building financial support for the arts in your communities across the province.

The Arts Endowment Fund is intended to help you build on that growing support, to raise and invest new revenues. I wish you every success, and I look forward to working with you as we continue to strengthen the position of arts organizations in our communities.

Sincerely,

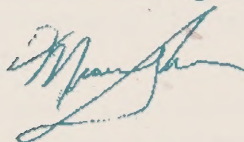


Isabel Bassett  
Minister

Welcome to the Ontario Government's new Arts Endowment Fund program. This program is an exciting development for Ontario's arts organizations. The \$25 million contribution by the Ontario Government, to be matched by an equal amount from the private sector, will create endowment funds for arts organizations in perpetuity.

Arts organizations have always been concerned about the stability of their funding base. More than ever, the support of private donors is needed to build on the excellence of our arts organizations, and the private sector has shown every indication of accepting greater responsibility. Since 1991, private sector giving to performing arts organizations in Canada has risen by 68 percent. Recent changes in the tax treatment of charitable gifts in Canada will make private giving even more attractive. Now is clearly the time to make a concerted effort to increase giving to the arts.

The Ontario government is to be congratulated on this program, which will match dollar for dollar every gift made to each arts organization. The most stable form of funding for any organization is endowment funding. We thank the government for this important initiative which will help to ensure that Ontario maintains a strong and vibrant arts sector.



Dr. Murray Frum  
Chair, Ontario Arts Council Foundation



# This guide has been developed to explain how the Ontario Arts Endowment Fund Program

works and how eligible arts organizations can participate in the program.

## *What is the Arts Endowment Fund Program?*

The Government of Ontario announced the \$25 million Arts Endowment Fund in May 1998 as part of a range of major budget initiatives for Ontario's arts and culture sectors. The government will contribute an initial \$12.5 million in 1998/99, along with another \$12.5 million in 1999/2000. The Fund will match and invest money raised by arts organizations for endowment purposes. The program is being administered on behalf of the government by the Ontario Arts Council Foundation (OACF).

The OACF was selected by the government to administer the Arts Endowment Fund program because of its well earned reputation as manager and administrator of one of the most significant arts endowments in Canada. The OACF combines a record of effective management with low administration fees, as a service to the arts community.

The Ontario Arts Council Foundation is a public charitable foundation established in 1991 to encourage and facilitate private giving to the arts, and is constituted separately from the Ontario Arts Council. It is a registered charity.

This initiative recognizes the importance of fund-raising and new revenue generation for arts organizations of all sizes. With matching contributions from the Arts Endowment Fund, it is intended to help spur additional financial support from communities in every part of Ontario.



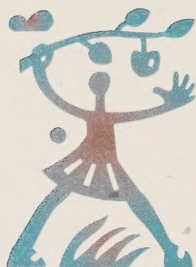
## *How will the Program work for your organization?*

Under the Arts Endowment Fund program, money raised by eligible arts organizations specifically for endowment purposes will be matched dollar for dollar from the \$25 million Fund. **For each participating organization, a separate endowment fund will be established and maintained at the OACF.**

The program recognizes that arts organizations raise money in a host of innovative ways. For that reason, the range of what qualifies for matching funds is very broad.

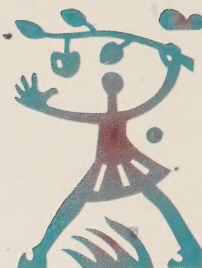
The program also recognizes that not-for-profit, professional arts organizations vary in size, and that the needs of large and small organizations are not always the same. In response, there is additional flexibility provided to ensure that smaller organizations will be in the best possible position to participate.

Once the endowment funds are raised, the OACF does the rest. It is responsible for investing and administering the funds, and for reporting to each participating organization on the performance of the funds that have been invested on their behalf. Each year participating arts organizations will receive income from their own funds to be used for operating purposes.



### *What is an endowment?*

An endowment is an investment fund set aside for the long-term support of an organization. Only the income, or a portion of the income, is available to spend. The principal is preserved in perpetuity. That is, it is held forever in the organization's name. Endowment funds cannot be used as security to secure a loan, nor can they be used to satisfy debts in the event that an organization closes.



### *What are the benefits for arts organizations of building an endowment?*

- Endowments produce a steady stream of income to support an organization's day-to-day operations or special programming.
- Endowments are a means of ensuring the future stability of arts organizations.
- Organizations with endowments are viewed as being financially responsible and forward looking – which can attract donors' support for artistic programming.
- Over time, an endowment can become a significant source of income through the addition of further contributions and wise investment.
- A substantial endowment provides a solid financial foundation, giving an arts organization additional freedom to pursue its artistic vision.

### *Who is eligible to apply?*

Applications will be accepted from any not-for-profit, professional arts organization based in Ontario that is:

- a registered charity under the *Income Tax Act*;
- an incorporated entity, with an elected board of directors holding annual general meetings;
- eligible for project or operating support from the Ontario Arts Council;
- in continuous operation for at least two years providing professional artistic programming, or supporting the creation, production or dissemination of artistic works by professional artists, or supporting the professional practice of artists (through professional development, career support, promotion of public awareness etc.); and
- paying artists for their work.

Performing arts facilities and agencies of the provincial or federal government are not eligible for this program.





# How will the \$25 million Fund be divided among arts organizations?

The program has been designed to ensure that matching funds are available for organizations of all sizes. The \$25 million has been divided into four categories. Similar sized organizations will work toward matching funds in their own category. As a result, smaller organizations will not be in competition with larger organizations for matching funds. The chart below lists the total amount available for matching within each category.

Category	Arts organizations with operating revenue of:	Allocation
1	Over \$10 million	\$10 million
2	\$1 million to \$10 million	\$6 million
3	\$500,000 to \$1 million	\$4 million
4	Less than \$500,000	\$5 million
Total		\$25 million



Follow two simple steps to determine how much  
self-generated revenue  
your organization can have matched from the \$25 million Fund.



#### Step 1: Find your Organization's Base.

Each organization has a base. The base is the total operating revenue from all sources for your last fiscal year ending prior to May 5, 1998 (the date the Arts Endowment Fund was announced in the Provincial Budget). This base will determine your organization's category.

For example:

An organization with total operating revenue of \$750,000 for the fiscal year ending January 31, 1998, is in Category 3. This organization and the others in Category 3 together have access to \$4 million in matching funds. However, the program recognizes that, in some cases, the last fiscal year's total operating revenue may not represent the normal operations of your organization. In such cases, an average of the last three fiscal years may be used to determine the base (see the averaging example on page 7).

#### Step 2: Determine the maximum amount of funds your organization is eligible to receive.

There is a limit on the amount that can be matched. The limit is 15 percent of your base, and no more than \$3 million will be matched for any one organization.

Here's an example:

- The Trillium Symphony's total annual operating revenue for the fiscal year ending March 31, 1998 was \$2 million.
- The Trillium Symphony's maximum match is \$300,000.  
$$\$2,000,000 \times 15\% = \$300,000$$
- The Symphony raises \$300,000 to establish its Trillium Symphony Arts Endowment Fund at the OACF.
- The Trillium Symphony's \$300,000 is matched with \$300,000 from the Arts Endowment Fund.
- The Trillium Symphony now has its own Arts Endowment Fund of \$600,000.



# Averaging Example

The Ontario Theatre Company is a touring company but its touring schedule in the last fiscal year was reduced significantly compared to the previous year. If it uses last year's revenues as the base, its matching amount for the fund would be significantly lower than what it would receive had last year's revenue been consistent with other years. By averaging the total operating revenue of the last three fiscal years, a more realistic matching limit is established.

Calculations of base without averaging using total operating revenue for the last fiscal year.

1997/98    \$500,000

Total    \$500,000

Base    \$500,000

Limit = \$500,000 x 15% = \$75,000

Calculation of base by averaging total operating revenue for the last three fiscal years.

1997/98    \$500,000

1996/97    \$1,250,000


1995/96    \$1,250,000

Total    \$3,000,000 (divide by 3)

Average    \$1,000,000

Base    \$1,000,000

Limit = \$1,000,000 x 15% = \$150,000

 What revenue is eligible for matching?

All self-generated (non-government) money raised **specifically for endowment purposes** after May 5, 1998 (the day the Arts Endowment Fund was announced) is eligible.

Some examples include:

- Funds raised through a special endowment campaign
- A major-donor fund-raising drive
- Specially designated merchandise sales
- An auction, bake sale or community fundraiser
- A series of benefit performances or exhibitions
- A special event or gala
- A special endowment fund ticket surcharge

## What are the responsibilities of participating arts organizations and of the OACF within the Arts Endowment agreement?

Participating organizations will be asked to confirm that the money raised was for endowment purposes, and the OACF will then send an endowment agreement to your organization for signature.

Under the terms of the endowment agreement, the Ontario Arts Council Foundation will:

- Invest and administer your fund in accordance with the Ontario Arts Council Foundation's policy for endowment funds (see page 10 for details);
- Pay income from the fund to your organization every year (fund income can be used for operating purposes only, and not for capital projects);
- Account for your fund separately from other funds held by the OACF;
- Provide your organization with a copy of the OACF's annual audited financial statements, in which you will find your endowment fund listed separately; and
- Hold your fund in perpetuity.



Under the terms of the agreement, your organization will:

- Provide the OACF with your annual audited financial statements; and
- Provide information annually to assist in measuring the success of the program in leveraging donations and other new revenue, and promoting the long-term financial stability of fund participants.

Once the endowment agreement has been signed by the arts organization and the OACF, and the organization's initial contribution has been received, the contribution will be matched dollar for dollar from the Arts Endowment Fund and the money will be invested. The organization may choose to submit its entire contribution at one time, or as funds are raised. The OACF will track the annual investment performance of the Fund by comparing it to investment benchmarks, to ensure that it is earning a competitive return.



Can each organization have its own Arts Endowment Fund

or does all the money go into one fund at the OACF?

Each organization participating in the program will have an Arts Endowment Fund established in its own name at the OACF, under the terms of the signed agreement. All the Arts Endowment monies held by the OACF on behalf of all participating organizations will be managed collectively to obtain the best possible annual return.





## Will all the Ontario Arts Endowment Fund monies be administered by the OACF?

There are limited exceptions. An organization with a base of \$10 million or more that has a parallel foundation which has been in continuous operation for at least two years, and which is administered by a separate board of directors, may choose to manage its own endowment by entering into a special agreement with the OACF.



## Can several organizations in a community work together to raise endowment funds?

Working together can often produce better results for everyone involved. For example, a theatre company, gallery and orchestra in the same community may carry out a joint fundraising campaign. The proceeds can then be divided and placed in each organization's endowment fund at the OACF.



## What happens to an organization's endowment fund if that organization ceases to exist?

If an organization ceases to exist, the OACF will have the responsibility of using the fund in accordance with the spirit of the endowment agreement between the arts organization and the OACF. That means that a fund established for a theatre company in a community would continue to support the arts and, if possible, theatre within that community.

## Will smaller organizations that may not be in a position to invest money in an endowment fund still be able to participate?

The Arts Endowment Fund program recognizes that it can be difficult for smaller organizations to balance their long-term goals of building an endowment with their day-to-day operating needs. The program is providing additional flexibility for smaller organizations. An arts organization with a base of less than \$500,000 can receive matching funds for all money raised toward its matching limit, but the organization has the option of retaining all, or a part, of the funds it has raised to be used for current operations.



Here's an example:

- Acorn Opera has a base of \$400,000.
- It can raise \$400,000 X 15%, or \$60,000, to be matched from the Arts Endowment Fund.
- Acorn raises \$50,000.
- It chooses to keep \$30,000 of the amount raised, for operations.
- Acorn invests the remaining \$20,000 in the Acorn Opera Arts Endowment Fund.
- The full \$50,000 raised by Acorn is matched with \$50,000 from the Arts Endowment Fund.
- Acorn Opera now has its own Arts Endowment Fund of \$70,000.



### *How long will the matching Arts Endowment Fund program run?*

Funds raised by your organization will continue to be matched on an ongoing basis until:

- Your organization reaches its matching limit; or
- All the money in your category is allocated; or
- September 30, 2000, the planned completion date of the Arts Endowment Fund matching process.



### *Can your organization continue to contribute to its Arts Endowment Fund after the government's investment of \$25 million is fully matched?*

The matching process is just the first step in building an endowment for your organization. You can continue to contribute to your endowment fund for years to come. Over time, your endowment can become a significant source of income and enhance the financial stability of your organization.



### *How will your Arts Endowment Fund be invested?*

The Board of Directors of the OACF has established an investment policy that is reviewed annually. The purpose of the policy is to ensure a steady stream of income from the endowment funds, to provide a hedge against inflation and to provide for growth of the capital of the funds. The individual endowment funds are pooled for investment purposes to maximize investment potential. AGF Funds Inc. is the OACF's fund manager.



### *How much will your organization receive each year?*

The current income distribution rate is 5% of market value. This policy is reviewed annually. So, on an individual endowment fund with a market value of \$100,000, currently there would be \$5,000 available annually for disbursement.



### *What is the cost of administering and managing your organization's fund?*

As a service to the arts community, the OACF offers its expertise to donors and arts organizations at a very low administration fee. On a \$100,000 fund, the annual combined administration and investment fee is currently \$450, or 0.45% of market value. This consists of 0.25% of the market value of the fund that goes toward overhead costs, and 0.2% of the market value of the fund which is paid to the investment manager. This policy is reviewed annually.





## What is the Ontario Arts Council Foundation?

The Ontario Arts Council Foundation is a public charitable foundation established in 1991 to encourage and facilitate private giving to the arts. It is constituted separately from the Ontario Arts Council and is a registered charity.

With an elected board, the OACF manages a large portfolio of endowment funds. Investment policies are set by the Board, and funds are professionally managed.

Members of the Board of Directors of the Ontario Arts Council Foundation are:

Dr. Murray Frum (Chair and President)

M. Joan Chalmers, C. C., O. Ont.

Paul Hoffert

The Honourable Henry N. R. Jackman, C. M., O. Ont.

Michael M. Koerner, C. M. (Treasurer)

John B. Lawson, Q. C.

John A. MacNaughton

John D. McKellar, C. M., Q. C.

William Somerville, O. Ont.

Nalini Stewart, O. Ont.

Joseph M. Tanenbaum, C. M.



Other resource material available from the Ontario Arts Council Foundation:

- Tax Incentives for Charitable Giving
- Gifts of Cash
- Gifts of Marketable Securities
- Gifts of Life Insurance
- Bequests

## What is the application process?

The application process is simple. Complete the enclosed application form and mail it along with a copy of your organization's audited financial statements (for three years in the case of averaging) to:

The Arts Endowment Fund  
c/o Janet Stubbs, Director  
Ontario Arts Council Foundation  
151 Bloor Street West, 6th Floor  
Toronto, Ontario M5S 1T6

Applications will be accepted on an ongoing basis until all the funds in a given category are committed, or September 30, 2000, whichever comes first. All applicants will receive written notice from the OACF of receipt of their application and determination of eligibility under the program.

Since the matching funds within each category are limited, it is important to apply as soon as possible so that you can start building your endowment.

For further information, please contact:

Janet Stubbs, Director  
Ontario Arts Council Foundation  
151 Bloor Street West, 6th Floor  
Toronto, Ontario M5S 1T6  
Tel: (416) 969-7413  
Fax: (416) 969-7441  
E-mail: [jstubbs@arts.on.ca](mailto:jstubbs@arts.on.ca)

or the following:



151 Bloor Street West, 6th Floor  
Toronto, Ontario M5S 1T6  
416-961-1660  
Toll-Free 1-800-387-0058  
Fax 416-961-7796

Billyann Balay	Dance Officer	416-969-7422	bbalay@arts.on.ca
Anne-Marie Bénéteau	Acting Visual Arts Officer	416-969-7453	abeneteau@arts.on.ca
John Brotman	Music Officer	416-969-7402	jbrotman@arts.on.ca
Steven Campbell	Arts Education Officer	416-969-7423	scampbell@arts.on.ca
Melanie Fernandez	Community Arts Officer	416-969-7425	mfernandez@arts.on.ca
Lorraine Filyer	Literature Officer	416-969-7438	lfilyer@arts.on.ca
Jim Hamilton	Southwest and Northwest Regional Representative	807-768-2470	jhamilt@arts.on.ca
Diane Labelle-Davey	Arts Development Group Director	416-969-7458	dldavey@arts.on.ca
Dan Lander	Media Arts Officer	416-969-7437	dlander@arts.on.ca
Jan McIntyre	Theatre Officer	416-969-7433	jmcintyre@arts.on.ca
Lorna Ryan	East and Northeast Regional Representative	705-752-2443	lryan@arts.on.ca
Paul-François Sylvestre	Franco-Ontarian Officer	416-969-7427	pfsylvestre@arts.on.ca
Bill Usher	Market Developer	416-969-7407	busher@arts.on.ca



Provincial Organizations:

Cultural Programs Branch

77 Bloor Street West, 2nd Floor

Toronto, Ontario M7A 2R9

Tel: (416) 314-7747

Fax: (416) 314-7091

DRYDEN

479 Government Road

P.O. Box 3000

Dryden, Ontario P8N 3B3

Tel: (807) 223-8682

Toll-free: 1-800-525-8785

Fax: (807) 223-8502

HAMILTON

119 King Street West, 14th Floor

Hamilton, Ontario L8P 4Y7

Tel: (905) 521-7244

Fax: (905) 521-7621

HUNTSVILLE

42 King William Street

Huntsville, Ontario P1H 1G1

Tel: (705) 789-4448

Fax: (705) 789-9533

KENORA

227 Second Street South, 2nd Floor

Kenora, Ontario P9N 1G1

Tel: (807) 468-2450

Toll-free: 1-800-465-1108

Fax: (807) 468-2788

KINGSTON

Ontario Government Building

Beechgrove Complex

51 Heakes Lane

Kingston, Ontario K7M 9B1

Tel: (613) 531-5580

Toll-free: 1-800-293-7543

Fax: (613) 531-5585

KITCHENER

30 Duke Street West

Suite 405 - 4th Floor

Kitchener, Ontario N2H 3W5

Tel: (519) 578-3600

Toll-free: 1-800-265-2189

Fax: (519) 578-1632

LONDON

659 Exeter Road, 2nd Floor

London, Ontario N6A 1L3

Toll-free: 1-800-265-4730

Fax: (519) 873-4061

MARKDALE

181 Toronto Street South

P.O. Box 496

Markdale, Ontario N0C 1H0

Toll-free: 1-800-265-5520

Fax: (519) 986-3014

MIDHURST

2284 Nursery Road

Midhurst, Ontario L0L 1X0

Toll-free: 1-888-883-8969

Fax: (705) 739-6697

NORTH BAY

147 McIntyre Street West, 1st Floor

North Bay, Ontario P1B 2Y5

Tel: (705) 494-4182

Fax: (705) 494-4069

ORILLIA

15 Matchedash Street North

Orillia, Ontario L3V 4T4

Tel: (705) 325-9561

Fax: (705) 329-6024

OTTAWA

530 Tremblay Road, 1st floor

Ottawa, Ontario K1G 6B7

Tel: (613) 742-3360

Toll-free: 1-800-267-9340

Fax: (613) 742-5300

PETERBOROUGH

300 Water Street

2nd Floor, South Tower

Peterborough, Ontario K9J 8M5

Tel: (705) 755-2624

Toll-free: 1-800-461-7629

Fax: (705) 755-2631

SAULT STE. MARIE

Roberta Bondar Place

70 Foster Drive, Suite 200

Sault Ste. Marie, Ontario P6A 6V8

Tel: (705) 945-5885

Toll-free: 1-800-461-7284

Fax: (705) 945-5931

#### ST. CATHARINES

301 St. Paul Street, 9th Floor  
St. Catharines, Ontario L2R 7R4  
Toll-free: 1-800-263-2441  
Fax: (905) 704-3955

#### SIOUX LOOKOUT

62 Queen Street  
Sioux Lookout, Ontario P8T 1A3  
Tel: (807) 737-1018  
Toll-free: 1-800-529-6619  
Fax: (807) 737-3379

#### SUDBURY

Ontario Government Building  
199 Larch Street, Suite 401  
Sudbury, Ontario P3E 5P9  
Tel: (705) 564-3035  
Toll-free: 1-800-461-4004  
Fax: (705) 564-3043

#### THUNDER BAY

435 James Street South, Suite 334  
Thunder Bay, Ontario P7E 6E3  
Tel: (807) 475-1683  
Toll-free: 1-800-465-6861  
Fax: (807) 475-1297

#### TIMMINS

Ontario Government Complex  
Highway 101 East  
P.O. Box 3085  
South Porcupine, Ontario P0N 1H0  
Tel: (705) 235-1550  
Toll-free: 1-800-305-4442  
Fax: (705) 235-1553

#### TORONTO

1201 Wilson Avenue, 2nd Floor, West  
Building  
Downsview, Ontario M3M 1J8  
Tel: (416) 314-6685  
Fax: (416) 235-4144

#### WINDSOR

221 Mill Street  
Windsor, Ontario N9C 2R1  
Toll-free: 1-800-265-1330  
Fax: (519) 973-1414







